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# ONTARIO SECURITIES COMMISSION ANNUAL REPORT

MARCH 31, 1987

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99	18.4/+	- .1/	101,465	18.5/	18.5/	18.2/
-1	166.4/+	+2.3/	1,387,700	164.5/	166.4/	164.4/
-1	45.3/+	+ .3/	384,800	45.0/	45.3/	44.7/
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Active/Volume Toronto Equities						
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# Ontario Securities Commission Annual Report March 31, 1987

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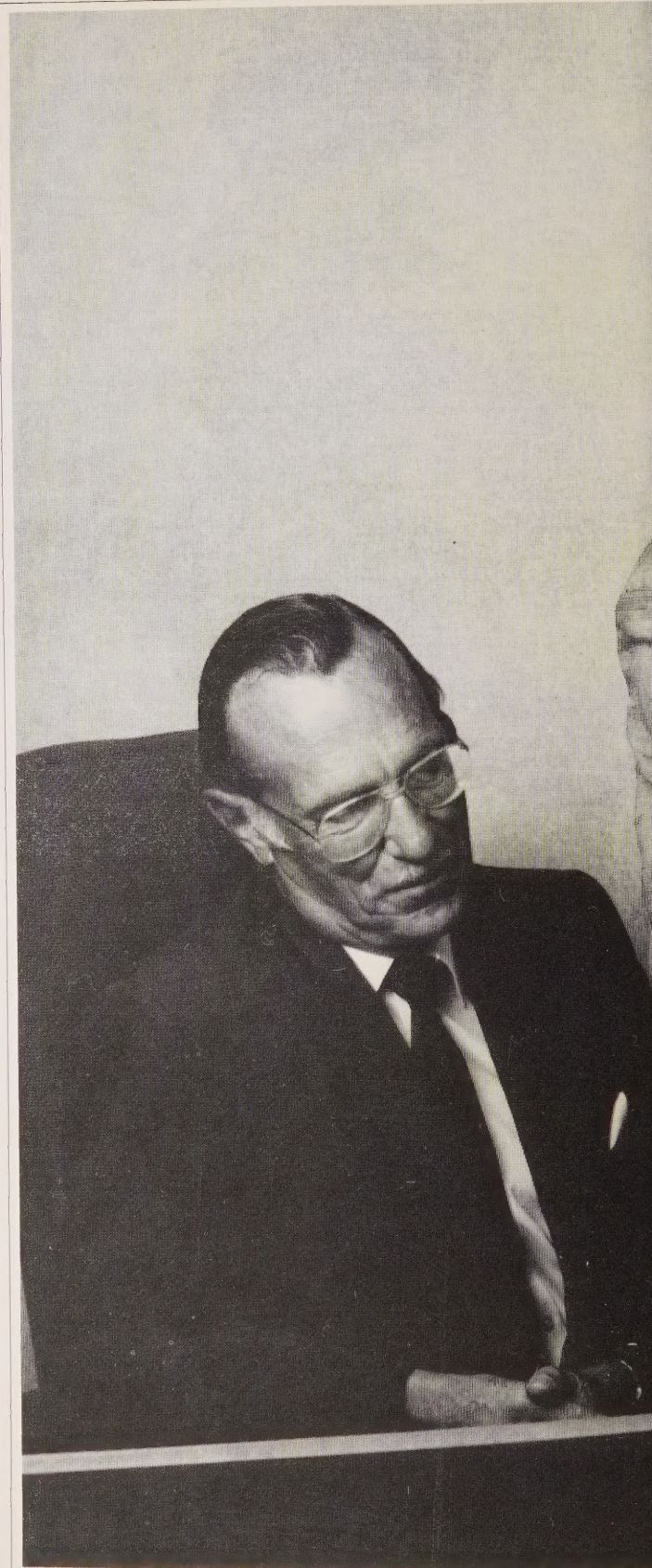
including  
The Structure,  
Function and  
Powers of the  
Ontario Securities  
Commission

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Malcolm Taschereau,  
Commissioner





Stanley Beck,  
Chairman

Charles Salter,  
Vice-Chairman

Mary E. Kelly,  
Acting Secretary





Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

Suite 1800, Box/C.P. 55  
20 Queen Street West  
Toronto, Ontario  
M5H 3S8

Telex 06217548  
TDX 76

July 20, 1987

The Honourable Monte Kwinter  
Minister  
Ministry of Financial Institutions  
9th Floor  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6

Dear Mr. Minister:

I am pleased to present the Annual Report of the Ontario Securities Commission for the fiscal year ended March 31, 1986.

The major event in the life of the OSC during the past year was the Government's decision to open up the securities industry in Ontario to domestic financial institutions and foreign investment dealers in an unrestricted way. This far-sighted decision will ensure Toronto's place as a major international financial centre. Moreover, it will ensure Canadian investors, institutions and issuers the quality of pricing, product and service that competition brings.

Revising the Regulations for the announced June 30, 1987 opening of the market was a major undertaking. That it was accomplished so smoothly and with full consultation with all the affected parties was due in no small measure to the able help provided by John Stransman of Stikeman, Elliott and Richard Bal-four of Tory, Tory, DesLauriers & Binnington, who were seconded from their firms for an initial three-month period that turned into one year to aid in drafting the new Regulation. I am grateful to the partners of their respective firms for being so understanding.

The second major event of the past year was the approval of Management Board for a feasibility study for the computer-based systems needs of the OSC. The Commission's mandate is to regulate an industry that is perhaps more supported by technology than any other. To be able to do the efficient and effective job that is required in today's electronically-driven capital markets, it was essential that the OSC have a first-class systems capacity. The firm of Touche Ross & Partners was awarded the contract for the feasibility study in December 1986, and its final report is expected in July 1987. At the time of implementing a major revision of the Commission's fee structure last year, the Government committed itself to the implementation of the systems-based technology needs of the OSC. I look forward to the beginnings of the implementation plan in the coming year.

In the body of this report, there are full reports from Commission staff. Suffice it to say, that a record number of filings have been moving through all Branches. In almost all cases, the Branches have been able to meet the time deadlines held out to the investment community. This was in no small measure due to the quality and commitment of the men and women in the Commission.

The enforcement area has been extremely busy with a number of major cases and investigations. Among these were the Union/Unicorp transaction, Calgroup Graphics, Southam/Torstar and Canada Malting. These were all major cases that were handled internally and with effective cooperation between the

Enforcement and Market Regulation Branch and the newly-created Office of the General Counsel. The ability and capacity of the Enforcement and Market Regulation Branch to investigate and litigate major cases is essential to the regulatory role that the OSC is called upon to exercise.

January 1986 saw Jim Turner come to the Commission for two years in the newly-created Office of the General Counsel. The General Counsel's office has strengthened the legal capacity of the Commission immeasurably. The General Counsel's office is not only involved in major enforcement matters but also acts as the senior legal office for all of the Commission's staff lawyers, wherever employed.

Another newly-created office is that of the Chief Accountant. The first appointee was Paul Cherry, who is a partner in the accounting firm of Coopers & Lybrand, and who has joined the Commission as Chief Accountant for a two-year period.

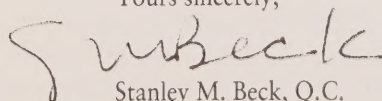
Surveillance and enforcement in the financial disclosure area is critical, as it is upon financial reporting that the entire structure of the disclosure system is built. As with the General Counsel's office, the Chief Accountant has broad supervisory authority over accountants, wherever employed in the Commission.

On the Commission itself, the past year saw the retirement of Jim Kane after serving two terms. His place was taken by Seymour Wigle, a former senior partner in the accounting firm of Price Waterhouse. As always, the Commissioners were unstinting in the time that they devoted to the Commission's affairs.

While I believe that the Commission has served the financial community and investors in the capital markets well during the past year, and that the allocation of 23 new positions to the Commission by Management Board will better enable us to meet the challenges of an expanded market, there is much yet to be accomplished. The Commission is very much in a growth period, and at a stage where it is trying to put in place structures that will allow it to do the job that it is mandated to do. While we are trying to reorganize and grow internally, we are subject to external pressures as our best young men and women are attracted by the much higher salaries available in the professions and in the financial industry. It is essential that Government recognize the pressures and demands that are placed upon the Commission and give it the resources to do the job.

I am pleased to acknowledge that the Ministry of Financial Institutions and its Deputy Minister, Bryan Davies, have given enormous support to the Commission over the past year, and I look forward to working with you and Mr. Davies in the coming year.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'S M Beck', with a stylized flourish at the end.

Stanley M. Beck, Q.C.  
Chairman



## MESSAGE FROM THE DIRECTOR

The pace of rapid change in the securities industry and securities regulation continued unabated last year. I believe that the coming year will bring more of the same. Commission staff have done an excellent job in meeting these challenges, particularly in light of the constraints to which we are subject.

Three key priorities have emerged in the last year and will continue to be our focus over the next year.

1. **An efficient and effective regulatory agency that is able to meet the challenges of an increasingly complex, sophisticated and global securities environment**

We are attacking this priority by developing a computerization strategy, reorganizing our procedures and staffing. Without minimizing other aspects of this challenge, the recruitment, development and retention of adequate professional and managerial human resources is our key problem. The increasing complexity of the marketplace make this vital, while operating within the constraints faced by a government agency make achievement of this goal extremely difficult.

2. **Establishing a fair balance among the competing constituencies in the public capital markets**

Here, our key challenge is to increase the bargaining power of the investing public so that they are better able to protect themselves in an increasingly complex marketplace, thereby reducing their reliance on government protection. We can address this by a variety of mechanisms including improved disclosure (quality and simplicity as opposed to quantity), investor education and improved shareholder rights (including mandating minority shareholder approval for certain transactions). We will encourage (and strive to improve the ability of) the TSE, investment dealers and brokers, professionals and institutional investors to enhance the integrity of the marketplace. We will continue to look to securities market participants to conduct their affairs in accordance with good business practice. In selected cases, Commission staff will intervene on behalf of minority shareholders to ensure that the fundamental principles necessary for a fair and efficient marketplace are observed.

3. **Meeting the challenges of increasingly globalized, complex, deregulated and computerized securities markets**

Initiatives in this area include implementation of the new regulations on entry into and ownership of the securities industry, a review of the national contingency fund, developing improved relations with other securi-

ties regulatory agencies, harmonization of regulatory requirements and development of policies to deal with dual licensing, mortgage syndications and financial planners.

The achievements of the past year that are set forth in this annual report could not have been recorded without the support of our Ministry, the Government, the Legislature, the industry's self-regulatory agencies, institutions and professionals. We would like to acknowledge this support. I would personally like to recognize the efforts of our dedicated staff. Commission staff form a young and vigorous organization that is committed to the Commission's mandate of fair and efficient capital markets.

These are challenging times at the Commission. We are constantly undertaking new initiatives to respond to far-reaching and rapid change in the public securities markets. We are certain that there will be many new and significant matters to be dealt with in the coming year. I am confident that your staff can meet the challenges that lie ahead.

Ermanno Pascutto  
Director

## THE OSC MANDATE

The Ontario Securities Commission ("OSC") has administrative responsibility for the Securities Act, Commodity Futures Act, Deposit Regulations Act, Toronto Stock Exchange Act and Toronto Futures Exchange Act, as well as certain provisions of the Ontario Business Corporations Act. The bulk of day-to-day operations centre around the administration and enforcement of the Securities Act and the Commodity Futures Act.

The OSC's original investor protection mandate has evolved into a more complex concern for fair and efficient capital markets. There are three broad activities involved in securities regulation in Ontario and in most other jurisdictions with developed capital markets.

First of all, there is the registration of persons who trade in securities and commodities. In the case of individuals, the OSC is concerned primarily with minimum competence and integrity. In the case of firms, it is concerned with financial stability and adequate supervision of individuals. The OSC currently has approximately 8,000 salesmen and 500 companies registered. With active markets and the breakdown in the barriers between financial institutions, these numbers are increasing rapidly.

The OSC's second broad activity is the review and clearance of prospectuses. No person may trade in a security where such a trade would involve a distribution unless a prospectus is filed with the Commission. During 1986, the OSC reviewed over 600 prospectuses and similar financing documents, representing in excess of \$17 billion in financing activity, and processed over 300 applications for exemptions from



the prospectus requirement.

The OSC's third broad activity involves investigations and enforcement. Staff investigate suspected violations of the legislation and, in appropriate cases, recommend either administrative proceedings before the Commission or criminal prosecution under the Act. Staff are also involved in criminal investigations for possible prosecution by the Attorney General under certain provisions of the Criminal Code relating to securities. During 1986, staff undertook approximately 100 investigations.

Staff also supervise the filing of financial statements, insider trading reports and other material. During 1986, corporate financial disclosure filings and similar filings exceeded 70,000.

The OSC is empowered to recognize associations or organizations representing registrants as self-regulatory organizations ("SROs"). The OSC has recognized The Toronto Stock Exchange (the "TSE"), the Ontario District of the Investment Dealers Association of Canada (the "IDA") and The Toronto Futures Exchange (the "TFE") as SROs, delegating to them both the authority and the responsibility to monitor and regulate their members, while retaining the power to review their decisions. SROs impose financial and trading rules on their members which are enforced through independent audit and compliance checks.

A brochure on Investing & Securities which will provide a brief introduction to the subject of the securities industry, is currently being prepared and copies are expected to be available on request by September.

## CHALLENGES FACING THE OSC

The OSC's mandate requires it to interact in complex ways with public and private sector organizations at provincial, national and international levels. It operates within a dynamic securities environment where the pace of change is dramatic. Although it has kept pace for the most part, the OSC continues to be subjected to significant pressures, including demands for faster service at reduced costs.

Work load pressures have increased substantially as a result of many factors: the increasing complexity of new financial instruments; the growing volume of filings; the Government of Ontario's recent decision to allow participation by foreign securities firms and domestic financial institutions and non-financial investors in the Ontario market. By all indications, work load is expected to increase unabated.

The internationalization of markets with global trading of securities and derivative instruments, the blurring of boundaries between financial institutions, the emergence of financial holding companies of which securities dealers are a part, and the changing nature of the products and services offered, all present difficult regulatory challenges. There is also increasing public concern about the regulatory process for

financial institutions and public companies. Recent financial market scandals, both in Canada and abroad, are creating a demand for more accountability.

The OSC operates within a sophisticated technological environment; electronic information networks and electronic trading linkages are now an operating reality. The entities which the OSC regulates are among the most sophisticated users of technology.

The OSC has recently developed key program strategies and policy initiatives in response to these changes and challenges. Key initiatives include:

- a major planning study by independent consultants to recommend an OSC information strategy;
- a new Capital Markets Branch, inclusive of the present Registration Branch, which would be responsible for implementation of the government's ownership, universal registration and conflict of interest policies which became effective June 30, 1987, oversight of the SROs, and proposing policies and regulation to support the Commission's mandate to ensure fair and efficient capital markets in Ontario;
- more efficient and effective investigation and enforcement, including closer cooperation with foreign securities regulatory authorities;
- additional resources to deal with work load pressures;
- assessment of the National Contingency Fund and of the adequacy of investor protection;
- improved communication among securities administrators on issues of national and international importance, and the promotion of uniformity of policy, systems and procedures;
- improved access to the capital markets, especially for junior issuers (the Thompson Report); and
- enhanced investor confidence in Ontario's capital markets through increasing public awareness of OSC activities.

## THE COMMISSION AND ITS POWERS

The Minister of Financial Institutions answers for the OSC in the Legislature and presents the OSC financial estimates as part of the Ministry's estimates. The OSC Chairman reports to the Minister with timely information and advice concerning issues relating to the work of the OSC that may require the Minister's attention or that may give rise to questions in the Legislature.

The OSC is a two-tiered organization. The first tier is an autonomous statutory tribunal (the "Commission") appointed by Order-in-Council and comprised of a Chairman and Vice-Chairman who serve full time, a second Vice-Chairman (position currently unfilled) and up to eight other Commissioners who serve part time. Commissioners are drawn



from the various segments or areas related to the securities and commodity futures industries, including lawyers, accountants, securities dealers, and investors. The Chairman, as the chief executive officer, has overall responsibility for the OSC. The Commission formulates policy, sits as an administrative law tribunal in hearings, acts as an appeal body from decisions made by the Director and staff, and makes recommendations to the government for changes in legislation. Two members constitute a quorum. The Commission meets weekly, as well as convening as a full body or in panels for hearings or public policy meetings when required. Staff support is provided by the Offices of the Secretary and the Legal Advisor.

### **Powers of the Commission**

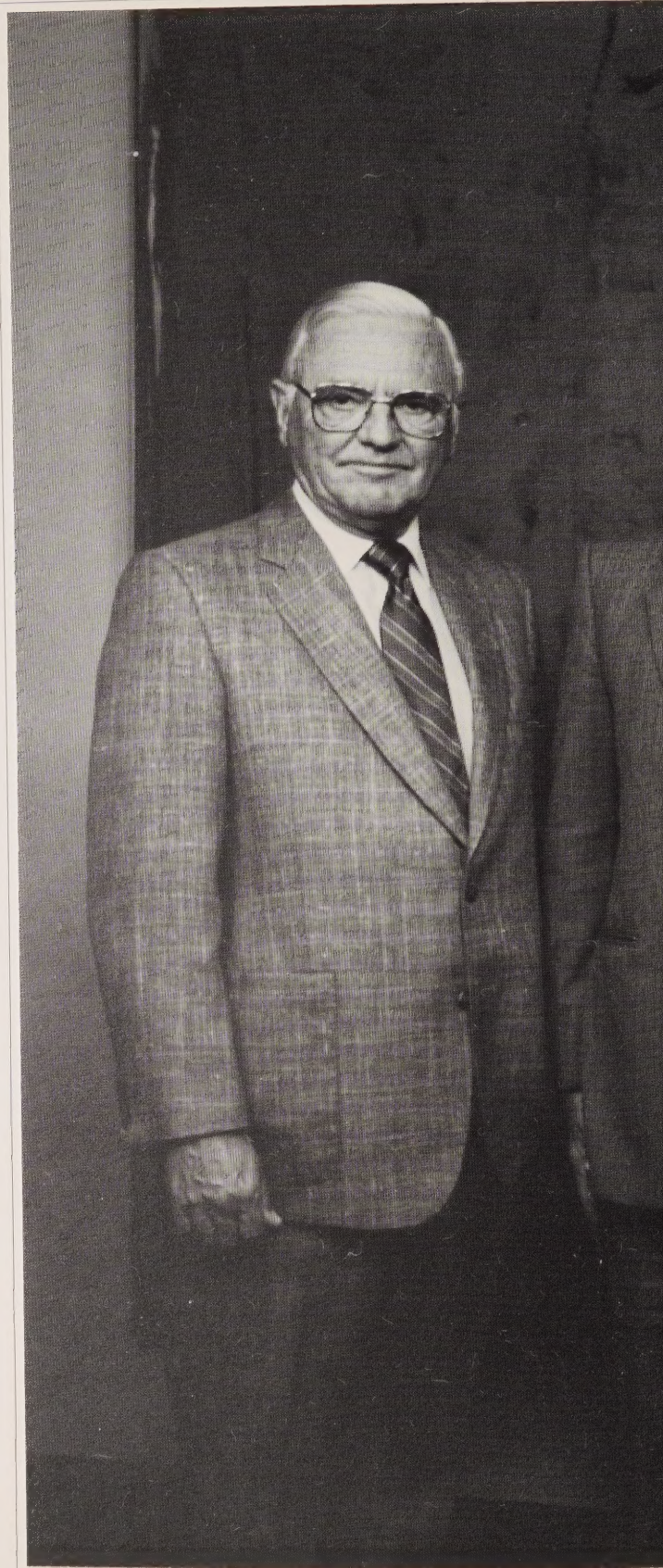
The Commission has the power, among other things, to:

- investigate;
- suspend, cancel or impose terms on registration, or reprimand;
- grant or deny exemptions from provisions concerning prospectuses, registrations, take-over bids or issuer bids;
- cease trade any security (Deputy Director, Enforcement and Market Regulation is delegated authority for orders related to failure to file financial information);
- review decisions of the Director;
- order funds be frozen or apply for court-appointed receivers;
- order audits of registrants, reporting issuers, mutual funds custodians and the clearing houses of commodity futures exchanges;
- regulate stock exchanges and commodity future exchanges;
- grant relief from the financial reporting requirements (Deputy Director, Enforcement and Market Regulation handles applications under S.79(b)(i) and (ii) or, for dormant companies, S.79(b)(iii) and OSC Policy 2.6); and
- grant relief from proxy solicitation and insider trading requirements (delegated to Deputy Director, Enforcement and Market Regulation).

### **Office of the Secretary**

The Office of the Secretary receives and coordinates the processing of all formal applications to the Commission and to the Director, as well as applications pertaining to the Commodity Futures Act. The Secretary may accept service on behalf of the Commission and certify the Commission records as required.

During the fiscal year, the Commission received 660 applications, an increase of 6% over 1985 (1985 – 567; 1984 – 551; 1983 – 495; 1982 – 409), representing 2.6 per working



**Jack Blain,**  
Commissioner





Alfred "Dutch" Holland,  
Commissioner

Seymour Wigle,  
Commissioner

Paul Waitzer,  
Commissioner

Frances Carmichael,  
Commissioner



ing days per year);  
ulings (an increase  
working day. Orders  
as follows:

Years ended  
December 31  
1986 1985

	22	26
	25	24
	11	24
	13	24
	40	22
	107	173
	43	68
	11	50
	61	51
	24	33
	110	370
	20	40
	41	59
	20	23
	1,006	1,019
	2	2
	13	13
	14	12
	24	10
	3	4
	10	11
	1,141	1,085
	1,039	

tion published by the  
annual years. It is considered  
more useful to report for the year  
ended March 31, which is its fiscal year. It is not  
to restate the figures for 1986 and prior  
basis.

Under authority of the Commission, Dataline  
publishes the OSC Bulletin weekly. The Bulletin material  
includes notices and press releases; decisions, orders and  
ulings (and reasons, when published); cease trading orders;  
and policies and requests for comments. It also contains  
information concerning insider trading, exempt financings,  
take-over and issuer bids, new issues and secondary  
financings, registrations, and other information relating to  
OSC activities. In addition, it includes an acknowledgement  
of all continuous disclosure material (e.g., interim and annual  
financial statements and material change reports) filed during  
the week. A cumulative index is published semi-annually.

The Commission, through the Office of the Secretary,

has sole responsibility for the contents of the Bulletin. The  
Bulletin provides an effective means of keeping current with  
the OSC. The Bulletin is currently available only from Data-  
line Inc., 67 Richmond Street West, Toronto M5H 1Z5,  
(416) 365-1616. The current annual subscription fee is \$405.

A small task force has been constituted to reconsider the  
arrangements for publishing the Bulletin, including means of  
improving its format and contents and minimizing the sub-  
scription fee. Proposed changes were published for comment  
earlier this summer.

### Office of the Legal Advisor

The Legal Advisor's Office supplies a wide variety of legal  
services directly to the Commission, including, for example,  
research, policy formulation, legislative drafting, private sec-  
tor liaison, special projects work and general legal advice. It  
is responsible for most of the legislation and regulations rec-  
ommended to the Minister by the Commission. In addition to  
minor amending regulations, work is progressing on omnibus  
amendments to the Securities Act.

The Legal Advisor's Office is also responsible for coordi-  
nating the Commission's participation in the semi-annual  
meetings of the Canadian Securities Administrators (the  
"CSA") and in the Uniformity Committee, a CSA subcom-  
mittee which seeks national uniformity in legislation and poli-  
cies. Insider trading reporting, shareholder communication,  
improved disclosure as to management discussion and analy-  
sis, a simplified national receipt system for prospectuses, ra-  
dio and television advertising, and a national policy with  
respect to mutual funds are some of the matters dealt with by  
the Uniformity Committee.

**TAKE-OVER BIDS AND ISSUER BIDS.** Bill 156, an amending Act  
that substantially amended take-over bid and issuer bid  
legislation in accordance with an agreement among securities  
administrators in order to achieve national uniformity, was  
given Royal Assent on February 12, 1987. Provisions relating  
to improper insider trading were added to Bill 156 on second  
reading which in effect increase the classes of persons  
prohibited from trading while in possession of knowledge of  
material information that is not yet public, or from  
communicating such information, and greatly increase the  
penalties. Bill 156 was proclaimed in force as of June 30,  
1987 except for the provisions relating to insider trading  
which are expected to be proclaimed in force by the fall, by  
which time appropriate regulations are expected to be  
approved.

**SHAREHOLDER COMMUNICATION.** One of the principal focusses  
this year was in the area of shareholder communication. The  
OSC is concerned that security holders whose securities are  
held in the names of market nominees do not receive  
information from the companies in which they invest and are  
effectively disenfranchised. An estimated 30% to 35% of the



public float is held in the names of clearing agencies. The percentage can exceed 90% with new reporting issuers. Additional securities are held in the names of dealers, banks or trust companies.

The Joint Regulatory Task Force on Shareholder Communication, chaired by Priscilla Healy, OSC Legal Advisor, has studied the issues, with extensive industry consultation, and has submitted an Interim Report to the CSA. The principal recommendations of the Task Force are:

- proxy-related materials and audited annual financial statements to be sent to underlying owners unless the security holders expressly waive receiving them;
- procedures for establishing mailing lists and reimbursement of intermediaries for sending the materials;
- mandatory use by issuers and clearing agencies of a proxy attorney system;
- quarterly financial statements to be sent to security holders who so request.

The CSA have agreed to issue a National Policy Statement to be fully in effect for the 1988 proxy season.

## THE DIRECTOR AND STAFF

As noted earlier in this report, the Commission is a two-tiered organization, the first tier being the tribunal. The second tier of the Commission is an administrative agency composed of approximately 125 (soon to increase to 150) lawyers, accountants, investigators, financial analysts and support staff which, headed by the Director, serves as the day-to-day operational arm of the Commission.

### Office of the Director

The Office of the Director of the Ontario Securities Commission is responsible for the administration of the Commission as well as having overall responsibility for the five main operating branches of the Commission (Commodity Futures, Corporate Finance, Enforcement and Market Regulation, Finance and Administration, and Registration) and the Offices of the Chief Accountant and the General Counsel. As a result, the Director plays an active role in many of the contentious issues which face Commission staff and also plays an important role in policy development by the Commission.

### Policy Initiatives

The past year has seen a number of significant policy initiatives, several of which are commented on elsewhere in this annual report. The following is a partial list of recent Commission policy initiatives:

- i) improved cooperation with foreign regulatory agencies particularly with respect to investigation and exchange

of information;

- ii) a review of the trading by investment dealers during the course of a take-over bid or issuer bid;
- iii) regulation of the advertising and marketing of securities;
- iv) upgrading of the Ontario over-the-counter market through development of the Canadian Over-The-Counter Automated Trading System;
- v) uniformity in timely disclosure requirements through a new National Policy; and
- vi) more effective regulation of reverse take-overs.

In addition, progress is well under way on formulating new or amended policies dealing with:

- (a) dual licensing of life insurance agents and mutual fund salesmen;
- (b) mortgage syndication transactions;
- (c) financial planners; and
- (d) strip bonds.

Each of these initiatives will be published for comment in the coming months.

The Commission has continued its long standing practice of addressing selected problem areas with the help of representatives of the securities industry. In May, 1987 two new initiatives, which had been under development for some time, were announced. The Private Sector Committee on Trading by Investment Dealers during a Take-Over Bid or Issuer Bid will review and make recommendations to the Commission for the regulation of trading prior to and during the course of a take-over bid or issuer bid by investment dealers who have a relationship with one of the participants in the bid. The report of this committee is expected shortly. The Private Sector Committee on Advertising and Promotion of Securities will make recommendations to the Commission about the advertising and marketing activities which should be permitted under the Securities Act in connection with a distribution of securities. This report is also expected shortly.

### Regulatory Actions

The primary regulatory and enforcement actions are noted under the reports of the Office of the General Counsel and the Enforcement and Market Regulation Branch. Not noted thereunder is the distribution in July 1986 of some \$7.3 million to shareholders of Union Enterprises. The payment was made as a result of a settlement late in 1985 after an extensive staff investigation into the activities of Unicorp Canada Corporation and its dealer, Gordon Capital, during the course of Unicorp's offer for Union Enterprises.



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...and the Midwest  
...are currently working  
...and en-

#### Commodity Staff

The staff has been busy with a full complement of busy time in the Commission. Following the heavy work load of the previous year, all around the Commission have been working hard and often late hours to improve the regulatory process. In January of 1986, the Offices of the Commodity Futures and the Commodity Accounts, respectively, were established. Both of these offices have recently assisted the Director of the Branches of the Commission.

The increased regulatory work load has put a strain on the Commission's resources. In order to respond to these demands, the Commission has obtained approval to hire 23 new staff members. These resources will be deployed throughout the Commission. Of particular interest is the creation of the Capital Markets Branch and a Compliance Section in the Enforcement and Market Regulation Branch and increased staffing of the Corporate Finance and Registration Branches. The costs associated with this level of hiring are substantial and have been offset by the increased revenue generated by the new fee schedule which came into effect on July 1, 1986. (It should be noted that the fee revenue is paid to the Consolidated Revenue Fund of the Province and not to the OSC. The Commission must make a separate request for funding annually.)

The Commission did not have the resources to fully re-



David Walters,  
Deputy Director, Commodity Futures





Ermanno Pascutto,  
Director

Harry Malcolmson,  
Associate Director,

Bob Steen,  
Deputy Director, Corporate Finance



## THE OFFICE OF THE CHIEF ACCOUNTANT

The creation of the Office of the Chief Accountant in 1986 reflects the increasing importance and complexity of financial reporting. As the senior staff accountant, the Chief Accountant is responsible for the formulation of policy on financial reporting matters, and the resolution of significant questions relating to the interpretation and application of generally accepted accounting principles ("GAAP") and generally accepted auditing standards ("GAAS") at the staff level. The Chief Accountant participates in decisions on financial reporting matters that are likely to result in a hearing before the Commission or when staff propose to accept a significant departure from GAAP or GAAS.

Two aspects of financial disclosure of particular interest are the form and content of financial disclosures that should be required of multinational or world class issuers, and the desirability of management discussion and analysis ("MD&A") disclosures. Interest in the former has been spurred by the spate of foreign privatizations which have also been sold in Ontario. Staff of the Ontario and Quebec commissions are collaborating on an MD&A project and hope to publish a position paper for comments in the early fall.

The accounting and auditing standards-setting function remains primarily in the hands of the Canadian Institute of Chartered Accountants ("CICA"). Enforcement of those standards remains primarily with public accountants themselves as a self-regulated profession. OSC staff, through the Office of the Chief Accountant, monitor the private-sector standards-setting and enforcement functions, provide input on current issues that should be addressed by the profession, and generally make constructive criticism of proposed standards, research studies, etc.

During the year, staff made an extensive submission to the CICA's Commission to Study the Public's Expectations of Audits (the "Macdonald Commission") in which concern was expressed about the rather lengthy response time before problems are dealt with by the CICA. The Commission cannot always afford such delays and has, on occasion, found it necessary to impose its own rules to fill gaps and voids in CICA the standards.

Recent examples are OSC Policy 7.7, "The Full Cost Method — Application of the Ceiling Test", and the prohibition against grouping debt with equity on the balance sheet. Concern was also expressed about the apparently uneven application of existing GAAP as evidenced by a number of cases of poor professional judgment in assessing the appropriateness of the accounting based on the substance of transactions.

Staff intend to work with the profession to improve the situation while also increasing our own enforcement efforts on cases involving the fairness of financial reporting, such as Calgroup Graphics and International Larder, which can be extremely difficult and time-consuming. More staff resources have been allocated to assessing the quality of financial dis-

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he Commission is empowered to assign to the Director its powers and duties except those relating to its function as an appeal tribunal and to formal orders relating to investigations, the appointment of receivers, or its power to freeze property. In practice, the Director generally delegates his powers and duties to the Deputy Directors on matters related to their respective areas, subject to his overall supervision.



closures in material, such as annual information forms and annual financial statements, filed with the Commission.

### Financial Disclosure Advisory Board

The Financial Disclosure Advisory Board ("FDAB") consults with and advises the Commission and staff on financial disclosure matters. Members are appointed by Order-in-Council and have traditionally comprised three public accountants, a financial analyst and a representative from industry.

### OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel was created in 1986 with the objective of augmenting the legal services available to the Commission at the staff level. The General Counsel, as senior staff lawyer, has broad responsibility for all legal matters at the staff level and is available as a resource to staff lawyers in connection with the interpretation of the Securities Act, the Regulations and the policies of the Commission. The General Counsel participates in all decisions which result in or are likely to result in administrative or criminal proceedings under the Securities Act. The General Counsel Office has direct responsibility for dealing with applications to the Director for waivers of the valuation requirement contained in OSC Policy 9.1. A significant number of applications for exemption from the take-over bid rules are also processed in the General Counsel Office. The General Counsel Office is involved on an ad hoc basis in many of the policy initiatives generated at the staff level. One of the major policy initiatives in which the General Counsel Office participated over the last year was the proposal for a new Commission junior resource financing policy. Involvement by the General Counsel Office included preparation of a staff submission to the Commission on the report of the Thompson Committee, appearances at public meetings and responsibility for the preparation of the proposed policy.

In addition to a broad responsibility for legal matters at the staff level, the General Counsel Office has also significantly added to the litigation resources available to the Commission. The General Counsel participates in a significant number of informal hearings relating to take-over bids and other securities law issues. The Associate General Counsel provides the litigation expertise to handle in-house, major hearings in which the General Counsel Office becomes involved. The General Counsel Office has participated in a number of major hearings over the last year. These include the hearings involving Torstar/Southam, Canada Malting, Calgroup Graphics, Canadian Tire and International Larder.

As a result partly of the activities of the General Counsel Office, the style of advocacy before the Commission has changed. The participation by litigation lawyers has brought a greater formality. The practice now is to have both a litigation and a securities lawyer involved in major hearings. Staff is attempting to hold pre-hearing counsel meetings to discuss

the evidence and to provide counsel with relevant documents. Fuller production of documents is being sought both in volume and quality. For its part, the Commission has appeared inclined to liberalize its granting of standing to interested parties.

The two most important Commission decisions of late, *Torstar/Southam* and *Canadian Tire*, raise fundamental questions of how the securities bar, the courts, the Commission and the stock exchanges contribute to the fair and efficient operation of securities markets.

*Torstar/Southam* involved a decision of the directors of Southam and Torstar to approve a share exchange without first complying with a relevant Toronto Stock Exchange By-law. The TSE brought the matter of the breach of its by-laws to the attention of the OSC and asked that a disciplinary sanction be imposed. After a hearing, the Commission removed the directors' trading exemptions for approximately six months. In doing so, the Commission emphasized the responsibility of directors in ensuring compliance with the provisions of securities rules intended for the benefit of shareholders.

*Canadian Tire* involved a bid by CTC Dealer Holdings for 49% of the outstanding shares of Canadian Tire Corporation. Prior to announcing the bid, the controlling shareholders, Alfred and David Billes, and Martha Gardiner-Billes (the Billeses), entered into agreements to tender to the bid. The bid was structured to avoid the triggering of a coattail provision inserted in the articles of Canadian Tire for the benefit of non-voting shareholders.

Following a nine-day hearing, the Commission ceased trading the take-over bid for the following primary reason:

*the offer was, in economic reality, the purchase by Dealer Holdings of all the Billeses' shares in Canadian Tire. The transaction was artificially structured for the sole purpose of circumventing the take-over protection included in the Canadian Tire Articles for the benefit of the non-voting Class A shareholder.*

On appeal, the Commission's power was upheld to intervene in a transaction when no specific provision of the Securities Act, the Regulations or the policies thereunder had been contravened. Leave to appeal the Divisional Court decision was denied. The Canadian Tire decision re-emphasizes that the practice of securities law requires a clear appreciation and assessment of the underlying principles and policy objectives of securities regulation.

### CORPORATE FINANCE

The Corporate Finance Branch reviews prospectuses to ensure that the information contained therein appears complete and the offering appears to be not contrary to the public interest. However, the fact that the OSC accepts a prospectus





Paul Cherry,  
Chief Accountant

Jim Turner,  
General Counsel

Priscilla Healy,  
Legal Advisor



does not mean that the OSC assesses the merit of the investment, nor does it guarantee the completeness or accuracy of the prospectus. The responsibility for providing the “full, true and plain disclosure” required by the Securities Act rests with the issuer and the underwriter. During 1986, staff reviewed over 600 prospectuses and similar financing documents representing over \$17 billion in financing activity, and also processed over 300 applications for exemption from the prospectus requirement.

### Prospectus Filings

Equity offerings comprised 84% of total offerings in 1986 (81% in 1985 and 75% in 1984). In 1986, short form prospectus offerings accounted for approximately 51% of all equity offerings and 89% of all debt offerings.

As at December 31, 1986, 134 issuers had current Annual Information Forms and were eligible to access the Prompt Offering Qualification System for senior issuers.

### Private Placements

Table V indicates the value of private placement offerings. Private Placement Form 20s filed with the OSC are those of Ontario issuers and Ontario reporting issuers disclosing their total private placement distributions and for other issuers that portion purchased by Ontario residents. These figures are therefore not directly comparable to the prospectus data in Table II.

### Applications

Corporate Finance processed 334 applications for exemptions

TABLE I

YEARS ENDED	March 31		December 31			
	1987	1986	1985	1984	1983	1982
Prospectuses	625	581	483	409	454	413
Rights Offerings	51	50	48	63	74	57
Exchange Offering Prospectuses	13	13	14	20	28	2
Short Form Prospectuses	<u>111</u>	<u>113</u>	<u>83</u>	<u>41</u>	<u>34</u>	<u>—</u>
TOTAL	<u>800</u>	<u>757</u>	<u>628</u>	<u>533</u>	<u>590</u>	<u>472</u>

Table I indicates the number of offering documents reviewed.

Table II indicates the number of prospectus filings accepted and the value of offerings by type of issuer.

TABLE II\*

YEARS ENDED	March 31		December 31					
	1987		1986		1985		1984	
	No.	(\$Mill.)	No.	(\$Mill.)	No.	(\$Mill.)	No.	(\$Mill.)
Bank	8	1,087	10	1,296	5	494	10	1,473
Industrial	286	14,622	269	13,547	126	7,834	80	4,104
Mutual Fund	213	N/A	209	N/A	203	N/A	172	N/A
Natural Resource								
Junior Mining	44	103	40	74	31	57	32	71
Mining — Other	25	861	23	570	12	158	8	120
Junior Oil & Gas	4	1	3	2	8	54	12	161
Oil & Gas — Other	15	451	11	235	8	320	12	161
Real Estate Program	16	337	12	153	4	285	(x)	(x)
Small Business								
Development Corporation	5	34	9	59	3	12	7	31
Trust Company	7	655	6	450	8	506	(x)	(x)
Miscellaneous	<u>39</u>	<u>855</u>	<u>34</u>	<u>666</u>	<u>28</u>	<u>488</u>	<u>46</u>	<u>1,011</u>
	<u>662</u>	<u>19,006</u>	<u>626</u>	<u>17,052</u>	<u>436</u>	<u>10,208</u>	<u>375</u>	<u>7,006</u>
% change			+44	+67	+16	+46	-10	+6

NOTES: (\*) Table II does not include Exchange Offering Prospectuses.

(x) Included under Industrial



## Initial Offerings

March 31

% 1984

Change \$Mill.

102.3 3,120

+47.3 2,031

+80.6 5,151

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## ENFORCEMENT AND MARKET REGULATION

The largest branch, in-  
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investigates sus-  
in appropriate cases,  
proceedings before the  
prosecutions. During 1986, staff un-  
investigations. The Branch moni-  
continuous disclosure and insider  
In addition, the Branch is re-  
The-Counter Automated

### Disclosure section

YEARS ENDED	March 31	December 31	
	1987	1986	1985
Exempt Trades Reports	11,625	11,451	8,433
Financial Reports	9,838	9,767	9,112
Insider Trading Reports	30,578	28,907	23,650
Miscellaneous information	16,564	18,220	15,247
Proxy solicitation/annual filings	2,566	2,927	2,504
Reporting issuers	2,850	2,760	2,450

Staff ensures that reporting issuers and insiders comply both as to content and timeliness with the public disclosure requirements imposed on them by the Securities Act and Regulations.

In the year ending March 31, 1987, 189 cease trade orders for failure to file required financial information were issued (1986 - 179, 1985 - 23).

### Enforcement Section

The enforcement section conducts investigations into complaints arising from possible violations of securities legislation. The investigations are carried out by teams made up of lawyers, accountants and investigators. Upon conclusion of an investigation, the team will consider recommending the initiation of administrative proceedings before the Commission, prosecution pursuant to the Provincial Offences Act, or turning more serious matters over to the appropriate agencies for the laying of criminal charges.

In an effort to supervise the industry province-wide, investigations were conducted in Brantford, Haileybury, Fort Erie, Kitchener, Ottawa, Sault Ste. Marie, St. Catharines, Welland and Windsor, as well as Toronto, in 1986. During the year, the staff carried out over 100 formal and informal investigations. The following is a summary of some of the more significant investigations.

An investigation was conducted into complaints by clients of Midland Doherty Limited about improper conduct by a former salesman of the firm, Mr. Christopher Chappell. The complaints included allegations of discretionary trading, failure to carry out client instructions and over-trading of client accounts during a 5-year period. The investigation also raised concerns about the firm's supervision of Mr. Chappell.

A settlement resulted in the firm consenting to the issuance of an order by the Commission reprimanding Midland Doherty for failing to supervise Chappell, as well as for failing to provide sufficient details of his misconduct and the reasons for the termination of his employment. As part of the order, Midland agreed to a review of its supervisory procedures by the Toronto Stock Exchange. In written reasons released subsequently, the Commission stressed the importance of supervision and "put the industry on notice that, in the future it proposes to consider more stringent penalties for compliance officers, senior officers and registered dealers in connection with the conduct of their employees".

Mr. Chappell also consented to an order cancelling his registration as a securities salesman and prohibiting him from participating in certain other types of trades.

In September, 1986, prompt action by the Enforcement staff resulted in the curtailment of activities by Royal Mexdon Holdings Inc. Royal Mexdon, through a dealer located in Hong Kong, had been engaged in the trading of contracts for precious metals and foreign currencies in markets throughout London, England. The company was not registered with the



Dominic Vaccari,  
Associate Director, Administration

Leslie Stratford,  
Assistant Deputy Director, Commodity Futures



Karen Eby,  
Assistant Deputy Director, Corporate Finance

Susan McCallum,  
Assistant Deputy Director, Legal, Corporate Finance



At the time that a  
 appointed, Royal  
 mately one month  
 potential risk to inves-  
 resulted in a complete

		December 31	
		1985	1984
	1	47	88
	15	12	
	15	16	13
	95	124	132
	8	—	4
	8	13	10
	26,000	27,000	24,000

prosecution in  
 operating through a  
 Gold Inc., resulted in con-  
 without registration and the  
 term. The case serves as an ex-  
 which courts and regulators in  
 securities legislation.  
 The Enforcement staff successfully  
*v. Pielsticker et al.* in the On-  
 which involved the validity of an infor-  
 securities Act. The Court upheld an  
 Supreme Court that the wording of the  
 staff lawyers, was sufficient in a prose-  
 Provincial Court. The Supreme  
 later refused leave to hear an appeal from  
 the Court of Appeal.

In the continuation of the Orrwell Energy Corporation  
 Ltd. and Yorkton Securities Inc. case that was settled with re-  
 spect to the majority of the parties in 1985, Mr. Kenneth  
 Webb made application to the Ontario Division Court for an  
 order prohibiting the Commission from holding a hearing  
 into allegations against him. The original hearing had been  
 commenced within the two-year limitation period. Before the  
 hearing could be completed, however, the Commission panel  
 ceased to have a quorum due to the expiry of the term of ap-  
 pointment of one of the Commissioners. A subsequent notice  
 of hearing before a reconstituted panel was issued after the  
 expiration of the limitation period. The application made on  
 behalf of Mr. Webb was based upon the grounds that the  
 subsequent proceedings had begun outside the limitation pe-

riod and were therefore barred. Enforcement lawyers success-  
 fully opposed the application. After a full hearing of the  
 application in February, 1987, the Court ruled that the new  
 notice of hearing was not the commencement of a new pro-  
 ceeding, but rather the continuation of the original proceed-  
 ings.

During the year, it became apparent that investigations  
 being conducted by members of the Enforcement Section  
 were becoming more complex, as well as more international  
 in scope. For example, several investigations carried out in  
 co-operation with authorities in the Netherlands and law en-  
 forcement agencies from the United States, the United King-  
 dom, Bermuda and Australia resulted in the shutting down of  
 five "boiler-room" operations in Amsterdam. These opera-  
 tions were selling Canadian securities world-wide, using high  
 pressure telephone sales techniques. As a result of enforce-  
 ment action, authorities were able to "freeze" over  
 \$2,000,000 in funds. Steps are now being taken to return  
 these funds to investors.

The Enforcement Section also carried out investigations  
 with the assistance of the Securities and Exchange Commis-  
 sion in California, Florida, New York, Utah, and Washing-  
 ington, D.C.

Finally, members of the Enforcement staff conducted the  
 Fourth Canadian Securities Investigators Course at Georgian  
 College for industry investigators and law enforcement agen-  
 cies, which included representatives of the R.C.M.P., O.P.P.,  
 Metropolitan Toronto Police Force and several Canadian  
 stock exchanges. For the first time, the participants also in-  
 cluded a foreign representative, an investigator from Austra-  
 lia.

## Market Regulation Section

This section administers the operation of the Canadian Over-  
 The-Counter Automated Trading System ("COATS"), an  
 electronic quotation and trade reporting system which was  
 introduced in April 1986 to replace the existing inadequate  
 reporting system for unlisted securities. The average daily vol-  
 ume and value of securities traded in 1986 were 1,390,307  
 and \$6,961,234 respectively, and they increase each month.  
 For the month of March 1987, the figures were 1,821,544  
 and \$7,795,399 respectively.

Integral to COATS is a system of Market Makers com-  
 mitted to buy or sell board-lots of COATS-traded securities.  
 Approximately 37 securities firms act as market makers for  
 296 different securities.

Market surveillance was curtailed somewhat while  
 COATS was being developed and implemented. Nonetheless,  
 37 instances of suspicious tradings were identified, of which  
 17 required further investigation. COATS will enhance the  
 OSC's ability to monitor the over-the-counter market in  
 future.



## REGISTRATION

The Registration Branch deals with the registration of all salespersons and companies trading in securities with the public in Ontario. The OSC is primarily concerned with the competence and integrity of individuals and with the financial stability and adequate supervision of individuals by firms. The cardinal rules imposed upon registrants are the "know your client" and "suitability" rules. With active markets and the breakdown in barriers between financial institutions, the number of registrants is rapidly increasing.

YEARS ENDED	March 31	December 31	
	1987	1986	1985
Dealers — all categories	374	349	260
Advisers	157	151	126
Salespersons — all categories	7,629	7,525	7,000
Officers and Directors	3,824	3,760	3,487
Branch offices	400	394	314

During 1986 the registration operation was partially computerized by installing a network of two micro-computers. This provides staff better access to information in order to respond to public inquiries and a more accurate statistical base.

Also during 1986 the renewal system was revamped so that an individual's anniversary date now coincides with that of his employer/company. This has reduced the number of fee cheques processed each year by 6,000. A fee increase was implemented effective July 1, 1986.

Registration staff have participated in the development of the registration requirements that apply to foreign registrants under the recently adopted proposals regarding foreign entry and ownership. The Commission has accepted the staff's recommendation that conditional registrations, an expedited form of registration, be granted as a transitional measure to avoid undue delays in the registration process under the new rules.

Branch staff developed submissions to the Commission (recommendations are now in effect), relating to branch offices for mutual fund dealers and proficiency requirements for branch managers, partners and officers of mutual fund dealers.

## COMMODITY FUTURES

The activities of the Commodity Futures Branch are primarily focussed on the administration of the Commodity Futures Act and Regulations thereunder, the primary regulatory fabric relating to trading in and advising on commodity futures contracts and commodity futures options. In addition, with the objective of enhancing the growth and orderly development of the industry, the Branch oversees the TFE. All new TFE by-laws and amendments to existing by-laws submitted to the Commission for non-disapproval are reviewed by the

Branch. All registered Futures Commission Merchants are members of the TFE and must comply with its by-laws. Additionally, where its expertise is required, the Branch is involved in the review of certain by-laws of the TSE.

### Registration

All persons or companies trading in or advising on commodity futures contracts and commodity futures options must register with the OSC. The Commodity Futures Branch is frequently involved in the review of registration applications. For the period ended March 31, 1987, 24 firms held registration as Futures Commission Merchant and 11 as Adviser.

### Applications

The Branch is involved in the processing of applications made pursuant to the Commodity Futures Act and the Securities Act.

### Options and Other Derivative Instruments

The Commodity Futures Branch is also involved in the regulation of trading in and advising on other derivative instruments including options. The Recognized Options Rationalization Order ("RORO") sets out the minimum registration and proficiency requirements imposed on those persons trading on behalf of clients in such options. The Branch reviews submissions relating to new options, amendments to existing option specifications and changes to the rules of markets and clearing corporations.

Other derivative instruments addressed by the Branch include Precious Metal Certificates. The Branch, pursuant to a Ruling of the Commission under the Securities Act, reviews the contract specifications, relevant disclosure documentation, exchange by-laws and rules respecting such instruments.

### Commodity Futures Advisory Board

The Commodity Futures Advisory Board (the "CFAB") serves in an advisory capacity to the Commission and is regularly consulted by the Branch when issues arise. The CFAB is comprised of leading industry specialists in the area of commodity futures and other derivative instruments.

## FINANCE AND ADMINISTRATION

The fiscal year ended March 31, 1987 witnessed a significant change in the mandate of the Finance and Administration Branch. The increase in growth and complexities necessitated that the Branch adopt a control rather than a coordinating role.

On July 1st, 1986, a comprehensive fee increase came into effect. This resulted in an increase of revenue receipts of approximately 238% over the 1985/86 fiscal year. A comparative statement of revenue receipts and expenditures is set out below.



**ONTARIO SECURITIES COMMISSION**  
**STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED MARCH 31**

	1987 \$	1986 \$
REGISTRATION AND EDUCATION ESTABLISHED		
FINANCE AND ADMINISTRATION BOARD OF CABINET	6,149,600	5,461,700
ACTUAL EXPENDITURES		
Salaries and wages	4,443,751	3,952,206
Employee benefits	650,662	548,976
Transportation and communications	265,326	208,031
Utilities	831,368	704,397
Supplies and equipment	200,608	142,319
	<u>6,391,715</u>	<u>5,555,929</u>
EXPENDITURES OVER BUDGET	<u>242,115</u>	<u>94,229</u>

**REVENUES TO THE PROVINCE GENERATED BY OSC SERVICES**

	1987 \$	1986 \$
Registration — Brokers and salesmen	2,888,577	976,853
Corporate Finance — Prospectus filings	4,502,959	1,058,346
Rulings	171,732	43,486
Disclosure — Filing, etc., fees	1,125,048	29,939
Commodity Futures Branch	89,501	135,828
Miscellaneous	<u>17,089</u>	<u>20,196</u>
	<u>8,794,906</u>	<u>2,264,648</u>

Revenues are remitted to the Consolidated Revenue Fund of the Province of Ontario and are not retained by, or credited to, the OSC.

From July 1, 1986, fees were increased significantly through amendments to the Regulations to the Securities Act and Commodities Act.

Service levels were improved significantly with the introduction of a new state-of-the-art digital telephone system.

The future outlook for the Finance and Administration Branch suggests that its role will continue to change in order to meet the future challenges of the OSC.

### INQUIRIES AT THE OSC

Responding to public inquiries is a key part of the responsibilities of the OSC staff. Staff do not give legal opinions or assist in drafting documents or designing transactions, but may be able to identify precedents and furnish copies of written materials. A discussion with a staff member is just that, a discussion. Staff's views are not binding upon the Commission proper.

A useful method of obtaining staff views in some limited circumstances is to set out in a letter, addressed to the Direc-

tor, a set of facts and the proposed interpretation of the law, and request confirmation. If the matter is very complex, controversial or otherwise in doubt, a formal application will be required in any event, since that is the only means of obtaining a formal response on a point of law.

### Complaints

Complaints or inquiries about alleged wrongdoing by registrants or issuers, or about possible breaches of the Securities Act, the Commodity Futures Act, the Regulations made pursuant to the legislation, or OSC policies, should be directed to the Enforcement and Market Regulation Branch at 593-8314.





Vern MacMillan,  
Chief Investigator

John Sedlak,  
Manager of Disclosure Section

Larry Waite,  
Senior Investigation Accountant

## FREQUENT INQUIRIES — WHOM TO CONTACT

Topic	OSC Staff
<b>Timely Disclosure</b> (Confidential — S.74)	Deputy Director, Enforcement and Market Regulation (Director, Chairman or Vice-Chairman on urgent or uncertain matters)
<b>Timely Disclosure</b> (General)	<b>T. Petroff, 593-8340/8341</b> Market Surveillance Section
<b>COATS</b>	<b>T. Petroff, 593-8340/8341</b> Market Surveillance Section
<b>Commodity Futures</b>	<b>D. Walters, 593-8279/8280</b> Commodity Futures Branch
<b>Forms</b>	<b>J. Sedlak, 593-8325/8326</b> Disclosure Section
<b>Fees/Filing</b>	
<b>Requirements</b>	<b>J. Farrell/M. Kelly, 593-8212/8213</b> Secretary to the Commission
<b>Applications</b>	
<b>Prospectus</b>	<b>G. Sugden/M. Shiwbhajan, 593-8238/8239</b> Clerks, Corporate Finance
<b>Exemptions</b>	<b>J. Sedlak, 593-8325/8326</b> Disclosure Section
<b>Insider Trading/Continuous Disclosure</b>	<b>J. Sedlak, 593-8325/8326</b> Manager, Disclosure Section
<b>Issuer Bids/Takeover Bids</b>	<b>J. Turner, 593-8228/8229</b> General Counsel Office
<b>Material Change Reports</b>	Deputy Director, Enforcement and Market Regulation (Director, Chairman or Vice-Chairman on urgent or uncertain matters)
<b>OSC Bulletin</b>	<b>Dataline Inc.</b> , 67 Richmond St. W., Toronto, M5H 1Z5, (416) 365-1616
<b>OSC Policies/Legislation</b>	<b>P. Healy, 593-8224</b> Legal Advisor, or area affected
<b>Prospectuses/Exemptions from prospectus requirements</b>	<b>B. Steen, 593-8248/8234</b> Corporate Finance Branch

## Public files

**Post-1982, Micromedia**,  
144 Front St. W.,  
Toronto, (416) 593-5211.  
Microfiche; hard copy  
available for a fee.  
**Metro Toronto Public Library**,  
798 Yonge St., Toronto. Viewing is  
free; hard copy for a fee.  
**Pre-1982, OSC File Room**

## REGISTRATION

**C. E. Goad, 593-8270**  
Registration Branch

## HEARINGS AND APPEALS

When staff are opposed to an application, the applicant is entitled to a hearing before either the Director or the Commission. Decisions take effect immediately, although the Commission may grant a stay.

The following table summarizes the principal rights of appeal:

From	To
Staff	Director
Staff, including Director	Commission (in most instances)
Toronto Futures Exchange	Commission
Toronto Stock Exchange	Commission
Commission (except rulings under S.73 of Securities Act and S.38 of Commodity Futures Act)	Divisional Court

## HEARINGS BEFORE THE COMMISSION

In the matters of:	Notice date	Section of the Act
Argosy Financial Group of Canada; Argosy Investments Limited; Argosy Group Management Company Ltd.; John David Carnie; Robert James Saunders; Guy Brian Williamson; Edward Carthy Valteau	Jan. 31, 1986	124
Gulf Canada Corporation take-over bid for Hiram Walker Resources and an appeal from certain TSE decisions	Mar. 26, 1986	22
Charles O. Finley	Mar. 18, 1986	124
Joyal Financial Services Ltd.	Jun. 4, 1986	26



Levy Industries Limited	Jun. 11, 1986	79, 123
Seaway Multi-Corp Limited	Jun. 11, 1986	79, 123
Orrwell Energy Corporation Ltd.; Wilfred Griffioen; Arthur Thomas; Kenneth Webb; Wayne Wile; Yorkton Securities Inc.; Gordon Awde; Steven Snelgrove	Jun. 17, 1986	26(1), 124(1)
Gilbert Kenneth Murray Webb	Jun. 17, 1986	26(2)
Wayne Eldridge Wile	Jun. 17, 1986	124
Mintron Enterprises Ltd.	Jun. 27, 1986	123
George F. Ross	Jul. 30, 1986	124
Carolyn Mines Ltd.	Sept. 22, 1986	123
Christopher James Chappell; Midland Doherty Limited	Oct. 21, 1986	26, 124
International Larder Minerals Inc.; Ernest W. Harrison; Thomas A. Watson; John A. Murphy; Gerald P. Harrison; Alfred R. Patte; Oswald F. Carter; Arthur J. Fortens; Fred Munger; Roland Glandfield	Dec. 3, 1986	123, 124
Canadian Tire Corporation, Limited; CTC Dealer Holdings Limited; Alfred W. Billes; David G. Billes; Martha Gardiner-Billes	Dec. 10, 1986	123
Rolland Inc.; Cascades Inc.	Jan. 8, 1987	123(1)
Projectus Development Fund Incorporated	Feb. 27, 1987	26

#### **SIGNIFICANT REASONS/DECISIONS ISSUED BY THE COMMISSION**

A Proposal of the TSE to Foster Capital Formation for Junior Resource and Industrial Enterprises ("Market Access Proposal")	Blanket Ruling and Order, Sections 73 and 140, dated Feb. 11/86; published (1986) 9 OSCB 1001 and 3121. May 23/86; published (1986) 9 OSCB 3035
Gulf Canada Corporation take-over bid for Hiram Walker Resources Ltd. and an appeal from certain TSE decisions	Section 22(3) March 27/86; published (1986) 9 OSCB 1903

Nim and Company, Limited Partnership; Perpetual Grown Fund — II Limited	Section 73 April 4/86; published (1986) 9 OSCB 2027
Laurence Aaron Dime	Section 26 May 8/86; published (1986) 9 OSCB 2677
Torstar Corporation and Southam Inc.	Section 124(1) June 3/86; published (1986) 9 OSCB 3087
Canada Malting Co. Limited and appeal from a TSE decision	Section 22(3) June 20/86; Dissenting Reasons dated June 25/86; published (1986) 9 OSCB 3565
Orrwell Energy Corporation Ltd.; Kenneth Gilbert Murray Webb	Section 26(1) August 28/86; published (1986) 9 OSCB 4955
The Prompt Offering Qualification System	Section 140 blanket ruling, dated December 16/86; published (1986) 9 OSCB 6962
— and Solicitation of Expressions of Interest	Section 73 blanket ruling, dated December 16/86; published (1986) 9 OSCB 6944 and 6993
Canadian Tire Corporation, Limited; CTC Dealer Holdings Limited; Alfred W. Billes; David G. Billes; Martha Gardiner-Billes	Section 123 Feb 9/87; published (1987) 10 OSCB 857
Policy of The Toronto Stock Exchange on Small Shareholders Selling and Purchase Arrangements	Section 73 blanket ruling, dated March 2, 1987; published (1987) 10 OSCB 1455
Rolland Inc., Cascades Inc.	Section 123(1) dated March 11, 1987; published (1987) 10 OSCB 1629
Trading in Recognized Options Cleared Through Recognized Clearing Organizations	Section 140 blanket ruling dated March 18, 1987; published (1987) 10 OSCB 1921

## REQUESTS FOR COMMENTS

During the year, the Commission issued requests for comments on a wide variety of topics including:

	Reference to (1986) 9 OSCB
▪ Financial forecasts (OSC Policy 5.8)	121
▪ "Soft dollar" deals (OSC Policy 1.9)	122, 4287
▪ Televising OSC hearings	1021
▪ Target company defensive tactics	1023
▪ Mutual funds custodians	2311
▪ Escrow guidelines — industrial issuers (to cover upstream personal holding companies)	2312
▪ Reciprocal filings	3755
▪ Subdivided offerings (re "B" Corp. et al.)	3889
▪ Prompt Offering Qualification System	4263
▪ Thompson Committee's Final Report and Recommendations of the Advisory Committee On Junior Resource Financing	4264, 5041
▪ Proposed regulations concerning take-over bids and issuer bids	4473
▪ Real estate mutual funds prospectus	4619
▪ Foreign dealer registration	4735
▪ Report of the Caldwell Committee on the Public Financing of Junior Companies	5357
▪ The ceiling test in financial statements of oil and gas issuers	6139
(1987) 10 OSCB	
▪ Timely disclosure (Draft National Policy 40)	1107
▪ Take-over bids and issuer bids (Bill 156)	1108
▪ Conventional mutual funds (Draft National Policy 39)	1283

## THE COMMISSIONERS

	Term expires
Stanley M. Beck, QC	June 1988
Charles Salter, QC	August 1990
Jack Blain, QC	February 1990
Frances H. Carmichael	July 1988
Alfred T. Holland, CA	June 1988
R. James Kane, CA	September 1986
Malcolm A. Taschereau	October 1989
Paul L. Waitzer	February 1989
Seymour L. Wigle	October 1987

**Stanley Beck**, a commissioner from 1971 to 1982, was appointed Chairman in 1985. He has had a distinguished academic career, having taught law at several Canadian universities, most recently as Dean, Osgoode Hall Law School, from 1977 to 1982.

**Jack Blain** was first appointed a Commissioner in 1983. A former partner in the law firm McCarthy & McCarthy, he practiced in the area of corporate and securities law, as well as lecturing at the University of Toronto.

**Frances Carmichael**, a financial analyst, has held senior corporate financial positions with ManuLife, Magna International and Canada Consulting Group. She was appointed a Commissioner in 1985.

**Alfred "Dutch" Holland**, a chartered accountant and a Commissioner since 1981, is president of Cardeco Limited, an investment holding company.

**R. James Kane's** experience in the accounting profession dates from 1940. He was a partner of Thorne, Riddell and served as its Chairman from 1977 to 1982. Appointed Commissioner in 1982, his term ended in September 1986.

**Charles Salter** has held several senior appointments with the Government of Ontario. Prior to his appointment as Vice-Chairman in 1984, he served as Director of the Commission since 1975.

**Malcolm Taschereau** has had extensive experience in the natural resources sector. He was a vice-president and president of Dome Mines and is chairman and director of several mining and resource corporations.

**Paul Waitzer**, is a former governor of the Toronto Stock Exchange and a former chairman of the National Contingency Fund. He has also served as president and chief executive officer of a multi-branch investment firm and is presently president of a private investment and development company. He was appointed a Commissioner in 1986.

**Seymour Wigle**, appointed in 1986, is a former partner of Price Waterhouse, Chartered Accountants, where he held the position of Director, Technical Services at the time of his retirement. He is a past president of The Institute of Chartered Accountants of Ontario.

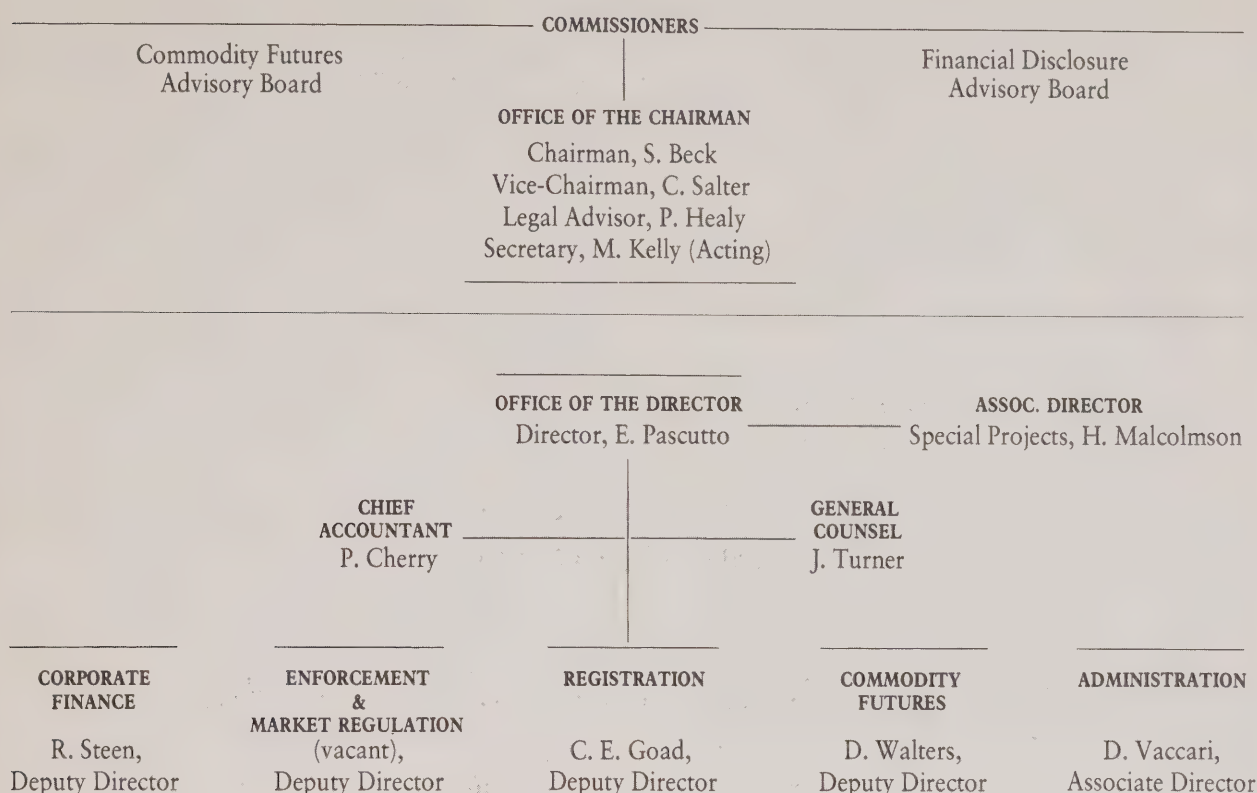
## THE SENIOR STAFF

**Ermanno Pascutto** graduated from the University of Toronto Law School and after being called to the Bar he practised business law at Osler, Hoskin. While at The Toronto Stock Exchange he was Director of the new Market Policy Division from 1981 to 1983. In 1983, Ermanno joined the OSC as its Legal Advisor and was appointed Director/Chief Administrative Officer to the Commission in 1984.

**Robert E. Steen** received his M.B.A. from the University of



## OSC ORGANIZATION CHART



Western Ontario and earned his Chartered Financial Analyst designation in 1971. He worked in the investment industry for almost a decade, including consulting with the Ontario government, prior to joining the OSC in 1976 as a Corporate Finance Accountant. In 1979, he was appointed Deputy Director, Corporate Finance Branch.

**Harry Malcolmson** graduated from the University of Toronto Law School and was senior partner of a Toronto law firm specializing in securities and commercial law. After joining the OSC as Legal Advisor to the Director, he was appointed Associate Director, Special Projects and was most recently involved with registration and ownership policies, financial planning and mortgage syndication.

**David D. Walters** received his B.A. degree in Economics from Sir George Williams University (Montreal). His investment experience was as an Account Executive, and as a Commodities Specialist with Merrill Lynch. He joined the OSC in 1979 (the same year the Commodity Futures Act and Regulations were brought into force) as the first Deputy Director, Commodity Futures.

**John Leybourne** (not shown) joined the OSC as an investiga-

tor in 1975 following a career with the Metro Toronto Police Force. He was promoted to Chief Investigator in 1978 and Deputy Director, Enforcement and Market Regulation in 1979. Among his many accomplishments was the introduction of the Canadian Over-The-Counter Automated Trading System in 1986.

**C. Ed Goad** (not shown) gained many years experience in the securities industry and consulted with Bay Street brokerage firms on administrative matters including computer conversions before coming to the OSC in 1971. Upon joining the OSC, he was appointed Deputy Director, Registration.

**Julie-Luce B. Farrell** (not shown) received her LL.L. from the Université de Montréal and was called to the Bar in Quebec. She worked with Courtois, Clarkson, Parsons & Tetraault and Heller, Landy & Mauer in Montreal before joining the OSC in 1981 to assume the role of Secretary to the Commission.

**Mary E. Kelly**, graduated from Loyola of Montreal with a B.Comm. degree and later obtained her C.A. designation through McGill University. She worked with Pannell Kerr MacGillivray and Touche Ross & Co. before joining the

OSC in 1983. After serving 3 years as a Corporate Finance Accountant and working on special projects she was appointed Acting Secretary to the Commission in early 1987.

**Priscilla H. Healy** obtained her LL.B. from the University of Toronto Law School and her LL.M. in business law from Osgoode Hall Law School. She served as Law Clerk to the Ontario Supreme Court and practiced general commercial law with Goodman & Goodman before joining the OSC as a Corporate Finance Solicitor in 1980. She was appointed Legal Advisor to the Commission in 1985 and is Chairman of Joint Regulatory Task Force on Shareholder Communication.

**James E.A. Turner** graduated in Arts and Law from the University of Western Ontario in 1976. Since that time he practiced corporate and securities law with Tory, Tory, Deslauriers & Binnington and became a partner in 1981. He took a two-year leave of absence from his firm in 1986 in order to be the OSC's first General Counsel.

**Paul G. Cherry** received his B.Comm. from Queen's University and obtained his C.A. designation. He is a partner of Coopers & Lybrand where his work included internal policy and guidance, international accounting practices and emerging issues. He joined the OSC in 1986 on a two-year secondment from his firm.

**Larry Schwartz** (not shown) was educated at the University of Toronto and received his Ph.D. in Economics and Business from the University of Pennsylvania. He worked with Brascan, Dominion Securities Ames Limited, CIBC, and the Gardiner Group prior to joining the OSC in 1985 as Policy Advisor.

**Susan McCallum** graduated from Queen's University Law School and was called to the Bar in 1977. After several years in private practice with Smith, Lyons, Torrance, Stevenson & Mayer, she joined the OSC Corporate Finance staff in 1980. Following a secondment to the U.S. Securities and Exchange Commission in Washington, she was promoted to Assistant Deputy Director, Legal — Corporate Finance Branch.

**Dominic Vaccari** worked with both the Federal and Provincial governments as auditor and investigator prior to joining the Ministry of Consumer and Commercial Relations in 1980. He was Secretary-Treasurer of the Ontario Racing Commission from 1983 to 1986 and joining the OSC, was appointed Associate Director, Administration.

**Leslie Stratford** received her Bachelor of Civil Law and Bachelor of Laws degrees from McGill University. She was called to the Bar in 1985 and joined the OSC as Commodity Futures Analyst. In 1986 she was appointed Assistant Deputy Director, Commodity Futures.

**Patricia M. [Name]** received her C.G.A. designation in 1971. Following [Name] with Dunwoody & Company, Chartered

Accountants, she joined the OSC as Corporate Finance Accountant in 1973. In 1979 she was promoted to Senior Corporate Finance Accountant and was appointed Assistant Deputy Director, Corporate Finance in 1980.

**Tom Petroff** (not shown) gained industry experience as an analyst and registered representative before joining The Toronto Stock Exchange to become Manager of the Market Surveillance Department. In 1977 he came to the OSC as an analyst and contributed to the development of COATS. He was appointed Assistant Deputy Director, Market Surveillance Section, Enforcement and Market Regulation in 1986.

**Vern MacMillan** graduated with a degree in computer science and, after his years with the Hamilton-Wentworth Regional Police Force and in the service of The Toronto Stock Exchange, he joined the OSC in 1984 as Senior Investigator. In 1986 he was appointed Acting Chief Investigator, and promoted to Chief Investigator in early 1987.

**Larry Waite**, graduated in Economics from York University, and obtained his C.M.A. designation in 1976. Before joining the OSC in 1979 as an investigation accountant, he worked with the Office of the Provincial Auditor. He was promoted to Senior Investigation Accountant in 1986.

**John Sedlak** was educated in Economics at the University of Prague and the University of Toronto. He joined the OSC in 1968 as Financial Examiner, was promoted to Supervisor of the Financial Disclosure Section in 1974, and Manager of the Disclosure Section in 1980.

**J. J. Douglas** (not shown) received his Masters in Political Science and his Law degree from the University of Western Ontario and was called to the Bar in 1980. He joined the Attorney General's Office in London as Crown Attorney concentrating in commercial crime and came to the OSC in 1984 as Investigation Counsel. In 1985 he was promoted to Senior Investigation Counsel.

## ADVISORY BOARDS

Commodity Futures Advisory Board		Term expires
<b>Peter C. Cavelti</b> (Chairman)	President, Cavelti Capital Management Ltd.	October 1989
<b>Leslie L. Fox</b>	Executive Vice-President, Investment Banking, Europe, Bank of Nova Scotia	October 1987
<b>James G. Laishley</b>	Vice-President, Refco Futures (Canada) Ltd.	October 1988



<b>Howard M. McLean</b>	Vice-President, Foreign Exchange Risk Management, McLeod Young Weir Limited	October 1988
<b>Harry G. Simpson</b>	Retired Partner, Price Waterhouse	October 1989
Financial Disclosure Advisory Board		Term expires
<b>C. Ross Healy</b>	Vice-President and Director, M. K. Wong Management Ltd.	December 1988
<b>David L. Knight,</b> FCA (Chairman)	Partner Peat Marwick, Toronto	December 1988
<b>Graham R. McLellan, FCA</b>	Retired Controller, Imperial Oil Limited	December 1988
<b>William R. Sloan,</b> FCA	Partner, Arthur Andersen, Ottawa	December 1988
<b>Derek W. Williams,</b> CA	Partner, Coopers & Lybrand, Toronto	December 1988

## SENIOR APPOINTMENTS SINCE JANUARY 1, 1986

### Staff

**Paul Cherry**, a partner on secondment for two years from Coopers & Lybrand, Chartered Accountants, Toronto, filled the newly-created position of Chief Accountant.

**Syl Gorecki** retired after many years of service, most recently as Financial Analyst. The position of Financial Analyst has been eliminated and most of the duties are now the responsibility of the Office of the Chief Accountant.

**Mary Kelly** was appointed Acting Secretary to September 1987 while **Julie-Luce Farrell** is on maternity leave.

**John Leybourne** has resigned as Deputy Director, Enforcement and Market Regulation after many years of service to

become President, National Quotes Inc. **Ermanno Pascutto** has assumed the role of Acting Deputy in addition to his duties as Director until a permanent replacement is found.

**Vern MacMillan's** appointment as Senior Investigator was confirmed after having filled that position on an Acting basis. **Bob Brown** took early retirement.

**Frederic Maefs** has been appointed Acting Senior Investigation Counsel, replacing **Jon-Jo Douglas** who has joined the Crown Attorney's Office, Judicial District of York.

**Susan McCallum** has resigned as Assistant Deputy Director, Legal in Corporate Finance. She has joined the Toronto law firm of Goodman and Carr. A replacement has not been found.

**Tom Petroff** was appointed Assistant Deputy Director, Marketing Surveillance Section, Enforcement and Market Regulation.

**Larry Schwartz** was appointed Policy Program Analyst.

**James Turner**, a partner on secondment for two years from the Toronto law firm of Tory, Tory, DesLauriers & Binnington, became the OSC's first General Counsel.

**Larry Waite** has been promoted from Investigation Accountant to Senior Investigation Accountant, replacing **James Widdowson** who resigned after many years of service at the OSC.

### Commission

**Paul L. Waitzer** was appointed a Commissioner.

**Seymour Wigle** was appointed a Commissioner, replacing **James Kane**.

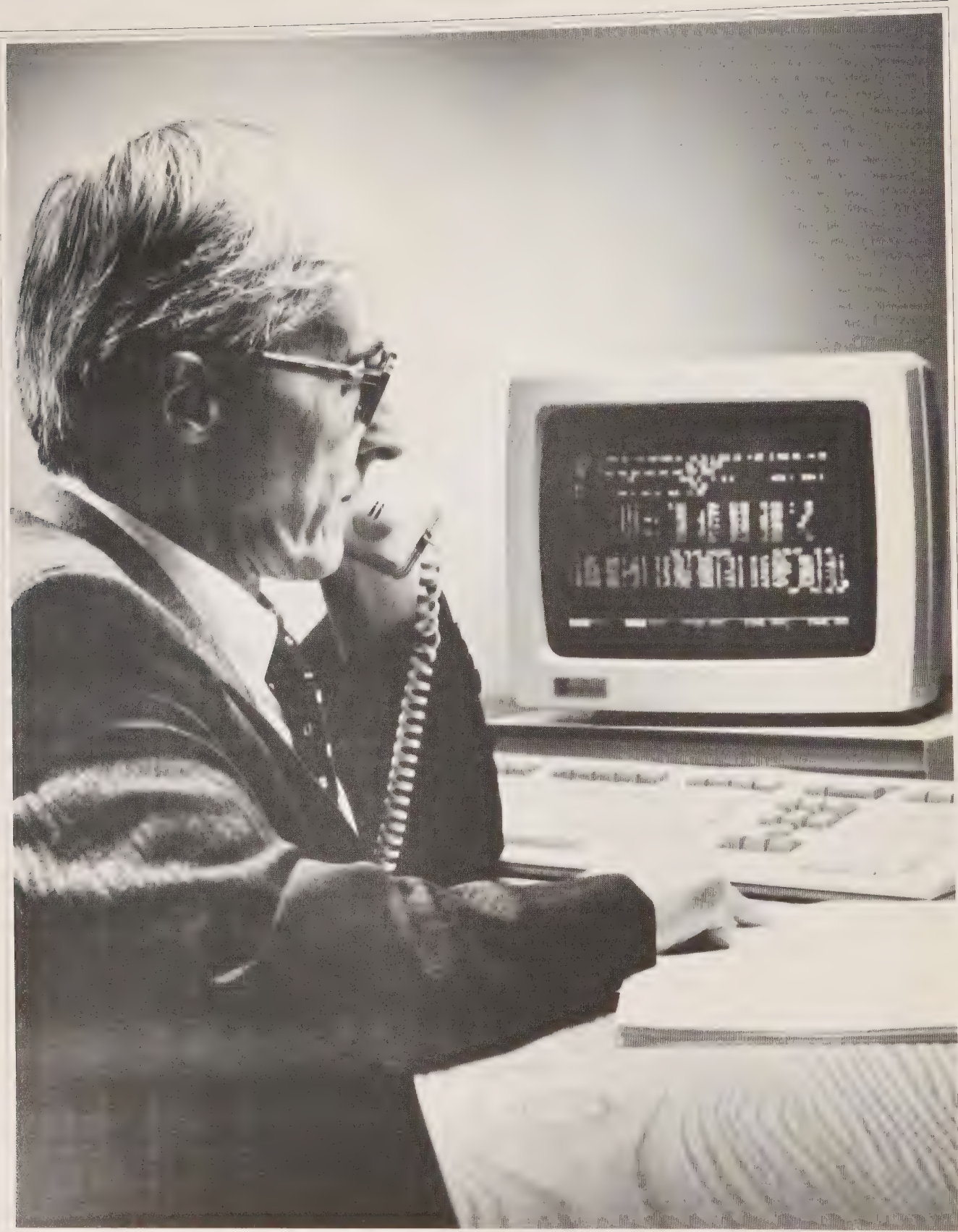
### Boards

**Peter C. Cavelti** was reappointed a member and redesignated Chairman of the CFAB.

**David Knight** replaced **P. Howard Lyons, FCA**, a partner in Deloitte Haskins & Sells, Chartered Accountants, who had completed his term as Chairman of the FDAB.

**Harry G. Simpson** was reappointed a member of the CFAB.

**Derek Williams** was appointed to the FDAB.



Tom Petroff, Assistant Deputy Director, Market Surveillance, Enforcement and Market Regulation, monitors Ontario reporting issuers utilizing a CATS terminal.



## TELEPHONE DIRECTORY ONTARIO SECURITIES COMMISSION

10th, 17th and 18th Floors  
20 Queen Street West, Toronto, M5H 3S8

General Inquiry	597-0681
<b>Stanley Beck</b> , Chairman	593-8200
<b>Charles Salter</b> , Vice-Chairman	204
<b>Priscilla Healy</b> , Legal Advisor	224
<b>Marie Oswald</b> , Assistant Legal Advisor	225
<b>Julie-Luce B. Farrell</b> , Secretary	212
<b>Mary Kelly</b> , Acting Secretary	212
<b>Ermanno Pascutto</b> , Director	208
<b>Harry Malcolmson</b> , Associate Director	211
<b>Paul Cherry</b> , Chief Accountant	219
Vacancy, Associate Chief Accountant	221
<b>James Turner</b> , General Counsel	228
<b>Joseph Groia</b> , Associate General Counsel	229
Vacancy, Policy Advisor	220
Commodity Futures Branch	
<b>David Walters</b> , Deputy Director	279
<b>Leslie Stratford</b> , Assistant Deputy Director	280
Corporate Finance Branch	
<b>Robert Steen</b> , Deputy Director	248
<b>Karen Eby</b> , Assistant Deputy Director, Accounting	242
Vacancy, Assistant Deputy Director, Legal	255
Registration Branch	
<b>C. Edward Goad</b> , Deputy Director	270
<b>Ken Trider</b> , Supervisor	273
Finance and Administration Branch	
<b>Dominic Vaccari</b> , Associate Director	265
<b>Naomi Smith</b> , Supervisor, Mail and Filing Room	336

Enforcement and Market Regulation Branch	
<b>Ermanno Pascutto</b> , Acting Deputy Director	283
<b>Fred Maefs</b> , Senior Investigation Counsel	297
<b>Tom Petroff</b> , Assistant Deputy Director, Market Surveillance	340
<b>Larry Waite</b> , Senior Investigation, Accountant	303
<b>Vern MacMillan</b> , Chief Investigator	285
Disclosure Section	
<b>John Sedlak</b> , Manager	325
<b>Mary Ballingall</b> , Senior Financial Examiner	313
Telex Number	06 217 548
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## GLOSSARY OF ACRONYMS

Throughout this report, you will find a number of acronyms which have been used to make this report more readable.

CFAB	Commodity Futures Advisory Board
CICA	Canadian Institute of Chartered Accountants
COATS	Canadian Over-The-Counter Automated Trading System
CSA	Canadian Securities Administrators
FDAB	Financial Disclosure Advisory Board
IDA	Investment Dealers Association of Canada
NCF	National Contingency Fund
OSC	Ontario Securities Commission
RORO	Recognized Options Rationalization Order
SRO	Self-regulatory Organization
TFE	Toronto Futures Exchange
TSE	Toronto Stock Exchange









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100-2.7/	3.0



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